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Blog Coverage Apache Hits the Biggest Oil Discovery in Southern Delaware Basin

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LONDON, UK / ACCESSWIRE / September 8, 2016 / Active Wall St. blog coverage looks at the headline from Apache Corp. (NYSE: [APA](#)) as the company announced on September 7, 2016 that it had discovered a new source of energy at a place identified as "Alpine High" in the Delaware basin which has huge potential. Register with us now for your free membership and blog access at: <http://www.activewallst.com/register/>.

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The find

Alpine High acreage is said to be located at the southern portion of the Delaware Basin, primarily in Reeves County, Texas. The identified acreage is estimated to contain 75 trillion cubic feet (Tcf) of rich gas (more than 1,300 British Thermal Units) and 3 billion barrels of oil in Barnett and Woodford formations alone. Apart from this, Apache is optimistic that the shallower Pennsylvanian, Bone Springs, and Wolfcamp formations also have great potential for oil. This discovery may be one of the biggest energy resource identified in the last decade. In commercial terms, experts peg the value of the discovery to be \$8 billion on the conservative side or \$80 billion on the audacious side.

Alpine High was not a favored area for oil recovery as geologists and engineers felt that the geological makeup was mainly made up of clay, which would be detrimental for hydraulic fracturing. Under this method, water and sand are blasted through the layers of rock so that oil and gas can flow out. However Apache had hired a team of explorers in 2014 which was led by Steven Keenan to study the area around Alpine High. He felt that the area had great potential. Steven had earlier been a part of the team that had studied the potential for Eagle Ford, South Texas that currently produces more than 1 million barrels of oil per day.

In a press release issued by Apache, John J. Christmann IV, the company's Chief Executive Officer and President said:

"Today's announcement is the culmination of more than two years of hard work by the Apache team. While other companies have focused on acquisitions during the downturn, we took a contrarian approach and focused on organic growth opportunities. We are incredibly excited about the Alpine High play and its large inventory of repeatable, high-value drilling opportunities."

How the new discovery affects Apache

The Alpine High discovery will change the future of Apache and as it will be the biggest asset of the company. The main advantage for Apache is that the drilling rights on the land acquired, (approximately 352,000 gross acres), was at a lower price point of \$1300 per acre. The Alpine high has a potential of holding a mix of oil and gas to the tune of 8.1 billion barrels of oil. Alpine High has 4,000-5,000 feet of stacked pay in five formations including the Bone Spring, Wolfcamp, Pennsylvanian, Barnett and Woodford. Apache has identified 2000 to 3000 future drilling locations in the Woodford and Barnett formations which are expected to have a mix of oil and gas. At current oil prices of \$50 per barrel and natural gas prices at \$3 per MCF, each well has the potential to yield \$4 million - \$20 million at pretax, net present value. Apache believes that the wells have the potential to give a 30% profit margin at today's commodities prices.

Apache has drilled 19 wells of which 9 are producing limited quantities of oil and gas. To speed up the process Apache has raised its capital guidance for FY2016 to \$2 billion and a capital spending capacity by \$200 million for the year. The spending amounts to nearly 25% of Apache's total capital spending budget. Apache expects the production at Alpine High will not commence before 2H2017.

Stock Performance

Investors welcomed the news of the new discovery and this sentiment positively impacted the company's shares. The company's stock price jumped 6.70%, closing the trading session at \$55.13. A total volume of 14.58 million shares exchanged hands by the end of the day, which was higher than the three months average volume of 2.90 million shares. Since the start of the year, the stock has gained 26.02%. Apache's shares have a dividend yield of 1.81%.

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Email: info@activewallst.com

Phone number: 1-858-257-3144

Office Address: 3rd floor, 207 Regent Street, London, W1B 3HH, United Kingdom

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